

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1796 – HB 2156

April 5, 2016

**SUMMARY OF ORIGINAL BILL:** Requires the property value limits of property tax relief for elderly low-income; disabled; disabled veterans; and surviving spouse homeowners to increase proportionately with any change in inflation as measured by the United States Bureau of Labor Statistics' Consumer Price Index for All Urban Customers (CPI-U) and to be rounded to the nearest \$100 for tax year 2016 and subsequent years.

Revises the calculation of assessed property value for the purposes of disabled veteran homeowners' and their surviving spouses' property such that a sliding scale shall be used that multiplies the full market value of the such owners' property up to the \$100,000 limit or according to the percentage increase in the CPI-U, as appropriate, by an appropriate percentage that is in proportion to the applicant's income. Veterans and their surviving spouses that received property tax relief in tax year 2016 shall use the current system of property relief calculation.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Exceeds \$209,000/FY16-17  
Exceeds \$200,000/FY17-18 and Subsequent Years

**SUMMARY OF AMENDMENT (015360):** Deletes all language after the enacting clause. Increases the amount of full property value considered for property tax relief from \$100,000 to \$150,000 for eligible disabled veterans and surviving spouses who are 72 years of age or older and specifies that a disabled veteran and surviving spouse's combined annual income, excluding income from federal disability payments, shall not exceed \$60,000 or such other amount as set forth in the general appropriations act, in order to be eligible to receive state property tax relief.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures- Exceeds \$977,400

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Assumptions relative to Value Limits on Disabled Veteran Homeowner Property Tax Relief:

- The act shall take effect upon becoming a law, the public welfare requiring it. Therefore, it is assumed the first tax year impacted will be 2016. Given that property tax notices would be sent to taxpayers in late 2016, and paid by February 2017, the first fiscal year impact would be FY16-17.
- Pursuant to Tenn. Code Ann. § 67-5-704(a)(1), there shall be paid from the general funds of the state to certain disabled veterans the amount necessary to pay or reimburse such taxpayer for all or part of the local property taxes paid for a given tax year on that property that the disabled veteran owned and used as the disabled veteran's residence as provided in this section.
- Given that tax relief payments are made to the eligible disabled veterans and surviving spouses in order to reimburse the taxpayer for local property taxes paid, it is assumed that all applicable local property taxes have been paid at the time tax relief payments are submitted to eligible recipients; as a result, any change in property tax revenue received by the applicable local government entities is estimated to be not significant.
- According to the Comptroller's Office (COT), using prior years' data, it is estimated that 27 percent of eligible disabled veterans and surviving spouses are 72 years of age or older.
- Based on information from COT, if the assessed property value limit was increased from \$100,000 to \$150,000 in FY15-16 for all disabled veteran and surviving spouse property tax relief recipients, the projected increase in state expenditures would have been \$3,249,775.
- Limiting the \$150,000 assessed property value limit to disabled veteran and surviving spouses property tax relief recipients 72 years or older will result in a recurring increase in state expenditures estimated to be \$877,439 ( $\$3,249,775 \times 0.27$ ).

Assumptions relative to Excluding Federal Disability Payments for Disabled Veteran Homeowner Property Tax Relief:

- Based on information from the Comptroller's Office, the precise impact of removing federal disability payment income from the calculation of income that enables Tennessee's eligible population of disabled veterans or their surviving spouses to receive property tax relief as a result of the bill as amended is not available; however, it is estimated that the number of eligible taxpayers will increase as a result of the bill as amended.
- Based on information from the Comptroller's Office, complete removal of the current \$60,000 income limit for such taxpayers property tax relief as codified in Tenn. Code Ann. § 67-5-704, would increase state expenditures by an estimated \$602,400.
- Based on information from the Comptroller's Office, it is estimated that the fiscal impact of the bill as amended, will increase state expenditures in an amount less than \$602,400, but greater than \$100,000; therefore, the recurring increase in state expenditures is reasonably estimated to exceed \$100,000.

Assumptions relative to the total impact of the bill as amended:

- The total recurring increase in state expenditures from the General Fund is estimated to exceed \$977,439 (\$877,439 + \$100,000) beginning in FY16-17.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj